

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Village of Howard City

Montcalm County, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year Ended February 29, 2008

Village of Howard City

Montcalm County, Michigan

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February 29, 2008

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Montcalm County, Michigan

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Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 29, 2008

INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Howard City
Montcalm County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of Village of Howard City as of and for the year ended February 29, 2008 and 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Howard City management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Howard City as of February 29, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report under separate cover dated July 16, 2008 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

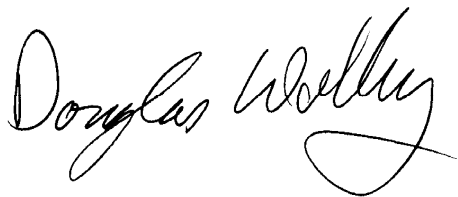
Required Supplemental Information

The Administration's Discussion and Analysis and budgetary comparison information on pages 5 through 10 and page 43 and {T#} are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Village Council
Village of Howard City
Montcalm County, Michigan

Combining Financial Statements and Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Village of Howard City' basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Douglas Wohlberg". The signature is written in a cursive, flowing style with a large loop at the end of the last name.

Douglas Wohlberg, CPA
Statement of Activities
July 16, 2008

Village of Howard City

Montcalm County, Michigan

Management Discussion and Analysis

For the year ended February 29, 2008

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village as a Whole

The Village's combined net assets decreased 1% from a year ago, decreasing from \$2,871,091 to \$2,855,201. Unrestricted net assets, the part of net assets that can be used to finance day to day operations, decreased by \$183,847 for the governmental activities. This represents a decrease approximately 41%. The current level of unrestricted net assets for our governmental activities stands at \$259,608, or about 21% of expenses. This is within the targeted range set by the Village Council during its last budget process.

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	2008	2007	2008	2007	2008	2007
Current assets	\$ 282,271	\$ 282,627	\$ 251,920	\$ 223,249	\$ 534,191	\$ 505,876
Noncurrent assets	1,962,275	2,051,977	2,062,462	2,137,337	4,024,737	4,189,314
Total assets	2,244,546	2,334,604	2,314,382	2,360,586	4,558,928	4,695,190
Long-term debt outstanding	990,951	1,099,141	519,000	597,000	1,509,951	1,696,141
Other liabilities	129,305	109,101	64,471	18,857	193,776	127,958
Total liabilities	1,120,256	1,208,242	583,471	615,857	1,703,727	1,824,099
Net assets						
Invested in capital assets - net of debt	888,318	887,299	1,504,452	1,540,337	2,392,770	2,427,636
Restricted	202,823	-	-	-	202,823	-
Unrestricted	33,149	239,063	226,459	204,392	259,608	443,455
Total net assets	\$ 1,124,290	\$ 1,126,362	\$ 1,730,911	\$ 1,744,729	\$ 2,855,201	\$ 2,871,091

Village of Howard City

Montcalm County, Michigan

Management Discussion and Analysis

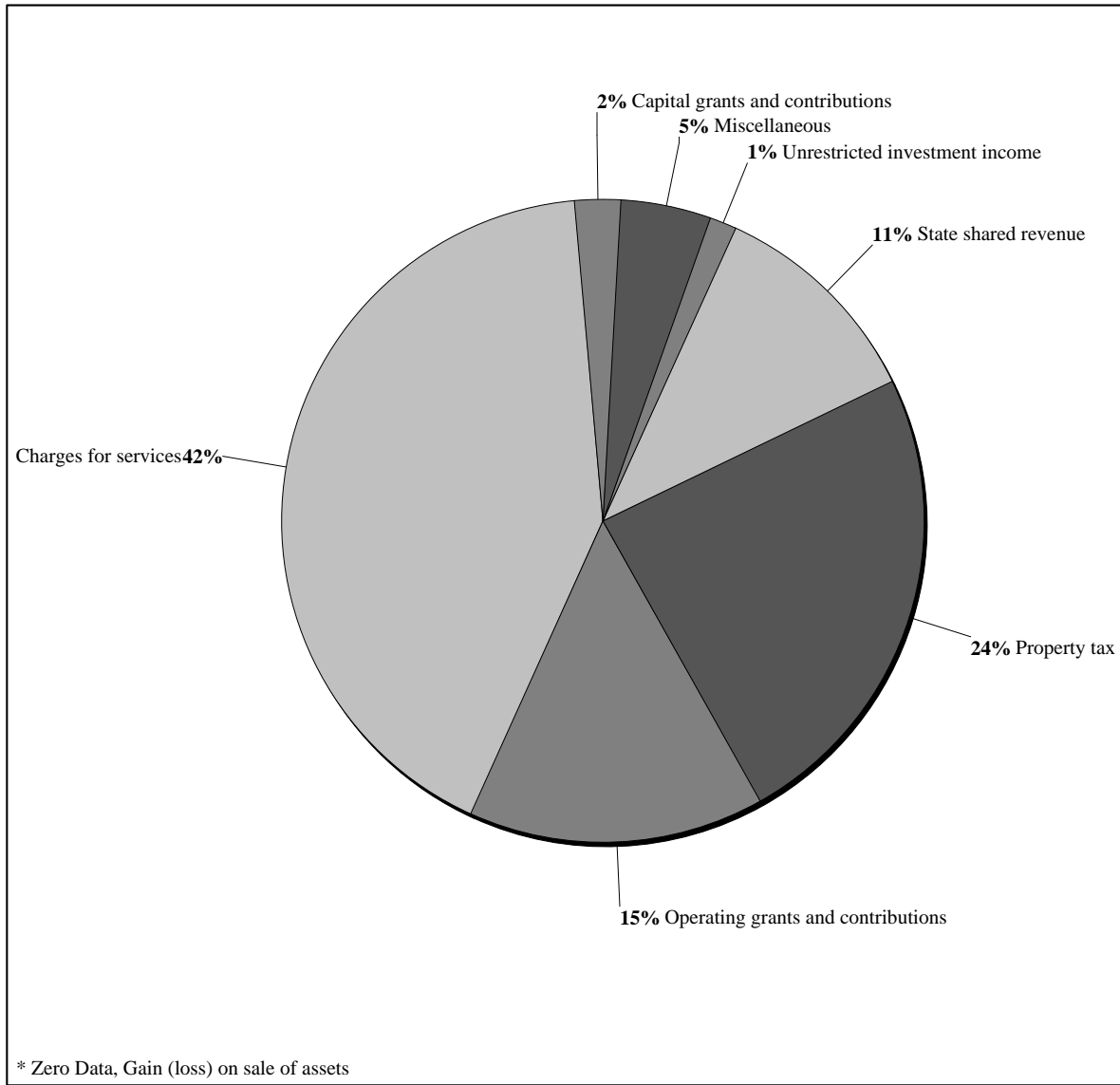
For the year ended February 29, 2008

	Governmental Activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Program revenues						
Charges for services	\$ 124,685	\$ 324,752	\$ 388,633	\$ 361,955	\$ 513,318	\$ 686,707
Operating grants and contributions	182,654	157,814	-	-	182,654	157,814
Capital grants and contributions	-	24,000	28,094	-	28,094	24,000
General revenue						
Property tax	294,290	280,745	-	-	294,290	280,745
State shared revenue	135,673	135,937	-	-	135,673	135,937
Unrestricted investment income	9,843	9,455	6,779	6,684	16,622	16,139
Miscellaneous	53,753	31,163	1,837	-	55,590	31,163
Interfund transfers	15,000	-	-	-	15,000	-
Gain (loss) on sale of assets	(12,943)	3,002	-	6,866	(12,943)	9,868
Total revenues	802,955	966,868	425,343	375,505	1,228,298	1,342,373
Program expenses						
General government	92,041	108,796	-	-	92,041	108,796
Public safety	360,413	355,832	-	-	360,413	355,832
Public works	313,357	373,945	-	-	313,357	373,945
Recreation and culture	14,291	11,773	-	-	14,291	14,291
Sewer Fund	-	-	291,319	225,593	291,319	225,593
Water Fund	-	-	147,842	154,039	147,842	154,039
Capital outlay	-	125,188	-	-	-	125,188
Interest on long-term debt	24,925	1,437	-	-	24,925	1,437
Total expenses	805,027	976,971	439,161	379,632	1,244,188	1,359,121
Change in net assets	\$ (2,072)\$	(10,103)\$	(13,818)\$	(4,127)\$	(15,890)\$	(16,748)

Village of Howard City

Montcalm County, Michigan
Management Discussion and Analysis
For the year ended February 29, 2008

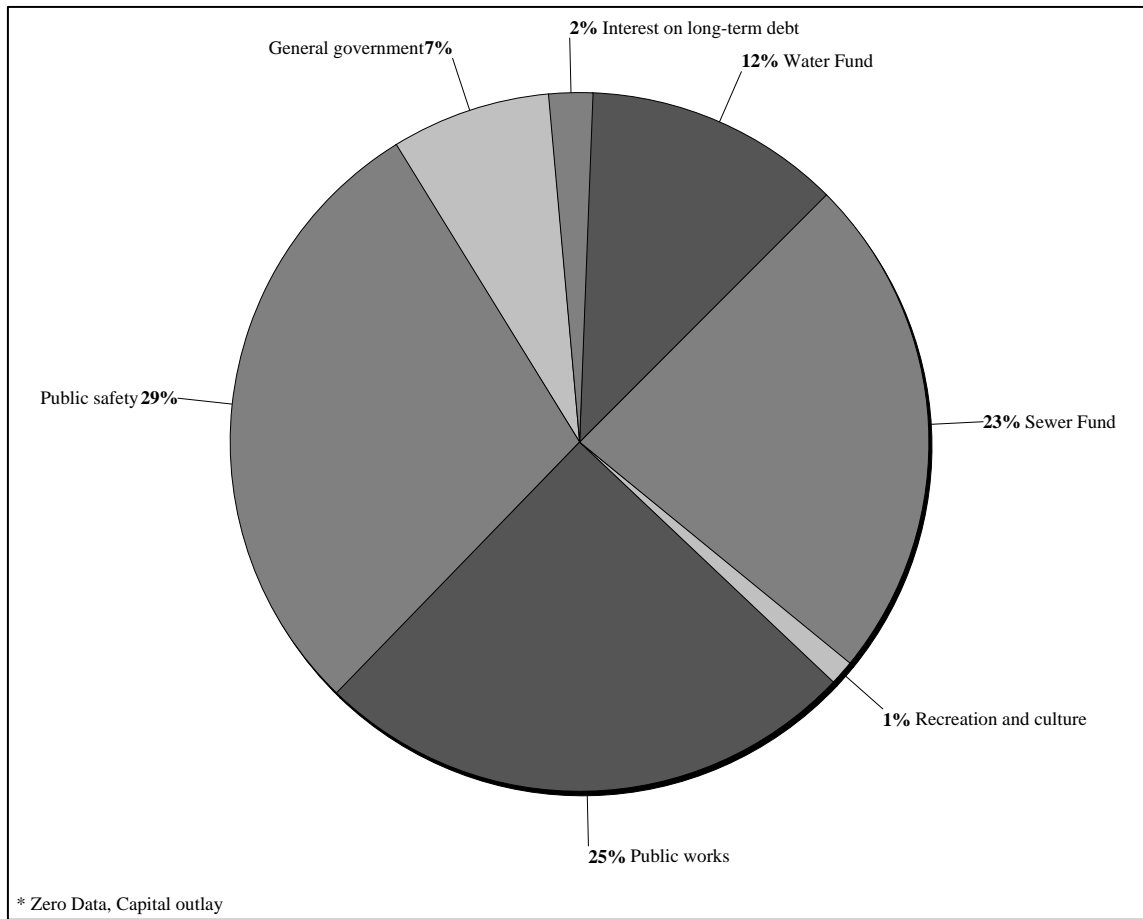
The following chart illustrates the sources of the Village's revenue.



Village of Howard City

Montcalm County, Michigan
Management Discussion and Analysis
For the year ended February 29, 2008

The following chart illustrates the Village's expenses.



Village of Howard City

Montcalm County, Michigan

Management Discussion and Analysis

For the year ended February 29, 2008

The Village's Funds

Our presentation of the Village's major funds begins on page 16, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for 2008 were the General Fund, the Major Streets and Local Streets Special Revenue Funds and the Ensley/Washburn Capital Projects Fund.

The General Fund Budget

Actual total General Fund expenditures the budgeted expenditures because of an adjustment at year end of approximately \$20,000 for sick leave. Village personnel worked very diligently to keep expenditures within the budget.

Capital Asset and Debt Administration

At the end of 2008, the Village had \$4,024,737, net of accumulated depreciation, invested in a broad range of capital assets, including buildings, police and fire equipment and water and sewer lines.

The following table shows the Village's capital assets compared to last year.

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	2008	2007	2008	2007	2008	2007
Land	\$ -	\$ -	\$ 34,300	\$ 34,300	\$ 34,300	\$ 34,300
Buildings and improvements	84,000	87,000	-	-	84,000	87,000
Equipment	424,168	458,134	12,974	336	437,142	458,470
Internal service equipment fund	124,979	161,626	-	-	124,979	161,626
Infrastructure	1,329,128	1,345,217	2,015,188	2,102,701	3,344,316	3,447,918
Total net assets	\$ 1,962,275	\$ 2,051,977	\$ 2,062,462	\$ 2,137,337	\$ 4,024,737	\$ 4,189,314

Village of Howard City

Montcalm County, Michigan

Management Discussion and Analysis

For the year ended February 29, 2008

Economic Factors and Next Year's Budgets and Rates

The Village has been awarded a Transportation Enhancement Grant to undergo a streetscape project in the Downtown, which includes water, sewer and street improvements. This could result in the issuance of bonds in the amount of \$800,000 to complete the improvements.

The Village of Howard City has been awarded a \$1.3 Million Economic Development grant to fund 50% of the required improvements to its wastewater treatment facility. The Village will fund the remaining 50% of the project through Michigan's Water Pollution Control Revolving Fund, better known as the State Revolving Fund (SRF). This is a low (2.5%) interest loan financing program that assists qualified local municipalities with the construction of needed water pollution control facilities. Michigan enacted 1988 PA 317, The Clean Water Assistance Act, to establish the SRF which is now codified as Part 53, 1994 PA 451, of the Natural Resources and Environmental Protection Act. This project will be self-funded through the Sewer Fund.

This Village anticipates a slightly increased revenue do to the partial expiration of the Renaissance Zone. Parcels within the tax-free Renaissance Zone will begin to pay 25% of their taxes within the next fiscal budget. This will increase by an additional 25% each of the following 3 years.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village's Manager at the Howard City Village Hall, 125 Shaw Street, Howard City, Michigan, 49329. The Village's phone number is (231) 937-4311.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Village of Howard City

Montcalm County, Michigan

Statement of Net Assets

For the year ended February 29, 2008

	Governmental activities	Business type activities	Total	Component unit
ASSETS				
Cash and cash equivalents	\$ 282,271	\$ 212,610	\$ 494,881	\$ 120,862
Receivables (net)	-	39,310	39,310	8,003
Capital assets (net)	1,962,275	2,062,462	4,024,737	-
TOTAL ASSETS	\$ 2,244,546	\$ 2,314,382	\$ 4,558,928	\$ 128,865
LIABILITIES				
Accounts payable	\$ 7,005	\$ 8,217	\$ 15,222	\$ -
Accrued and other liabilities	34,706	16,340	51,046	-
Deferred revenue	-	914	914	-
Due within one year	87,594	39,000	126,594	-
Due in more than one year	990,951	519,000	1,509,951	-
TOTAL LIABILITIES	1,120,256	583,471	1,703,727	-
NET ASSETS				
Streets and highways	21,799	-	21,799	-
Debt service	508	-	508	-
Capital projects	180,516	-	180,516	-
Invested in capital assets	888,318	1,504,452	2,392,770	-
Unrestricted	33,149	226,459	259,608	128,865
TOTAL NET ASSETS	1,124,290	1,730,911	2,855,201	128,865
TOTAL LIABILITIES AND NET ASSETS	\$ 2,244,546	\$ 2,314,382	\$ 4,558,928	\$ 128,865

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

Montcalm County, Michigan

Statement of Activities

For the year ended February 29, 2008

Functions/Programs	Expenses	Charges for services	Operating grants and contributions
<u>PRIMARY GOVERNMENT EXPENSES</u>			
General government	\$ 92,041	\$ 3,438	\$ -
Public safety	360,413	119,897	10,609
Public works	313,357	-	152,045
Recreation and culture	14,291	1,350	20,000
Interest on long-term debt	24,925	-	-
Total Governmental activities	805,027	124,685	182,654
<u>BUSINESS TYPE EXPENSES</u>			
Sewer	291,319	201,710	-
Water	147,842	186,923	-
Total Business type activities	439,161	388,633	-
Total Primary government	1,244,188	513,318	182,654
<u>COMPONENT UNIT EXPENSES</u>			
Downtown Development Authority	\$ 61,219	\$ -	\$ -

General Revenues

Property taxes
 State-shared revenue
 Unrestricted investment income
 Gain on sale
 Miscellaneous
 Transfers

Total general revenues - special items and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

The Notes to the Financial Statements are an integral part of this statement.

Capital grants and contributions	Governmental activities	Business-type activities	Total	Component unit
\$ -	\$ (88,603)	\$	\$ (88,603)	\$
-	(229,907)		(229,907)	
-	(161,312)		(161,312)	
-	7,059		7,059	
-	(24,925)		(24,925)	
-	(497,688)		(497,688)	
28,094		(61,515)	(61,515)	
-		39,081	39,081	
28,094		(22,434)	(22,434)	
28,094	(497,688)	(22,434)	(520,122)	
\$ -			\$ (61,219)	
	294,290	-	294,290	67,728
	135,673	-	135,673	-
	9,843	6,779	16,622	4,181
	(12,943)		(12,943)	
	53,753	1,837	55,590	2,090
	15,000	-	15,000	-
	495,616	8,616	504,232	73,999
	(2,072)	(13,818)	(15,890)	12,780
	1,126,362	1,744,729	2,871,091	116,085
\$ 1,124,290	\$ 1,730,911	\$ 2,855,201	\$ 128,865	

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

Montcalm County, Michigan

Governmental Funds

Balance Sheet

February 29, 2008

	General Fund	Major Street Fund	Local Street Fund	Ensley/ Washburn Project Fund	Nonmajor Funds	Total
ASSETS						
Cash	\$ 52,194	\$ 14,873	\$ 6,832	\$ 173,684	\$ 7,434	\$ 255,017
TOTAL ASSETS	\$ 52,194	\$ 14,873	\$ 6,832	\$ 173,684	\$ 7,434	\$ 255,017
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 3,968	\$ -	\$ -	\$ -	\$ -	\$ 3,968
Payroll deductions payable	530	-	-	-	-	530
Accrued wages payable	27,985	-	-	-	-	27,985
TOTAL LIABILITIES	32,483	-	-	-	-	32,483
FUND BALANCES						
Reserved for						
Debt service	-	-	-	-	508	508
Streets	-	14,873	6,832	-	6,926	28,631
Capital projects	-	-	-	173,684	-	173,684
Unreserved	19,711	-	-	-	-	19,711
TOTAL FUND BALANCES	19,711	14,873	6,832	173,684	7,434	222,534
TOTAL LIABILITIES AND FUND BALANCES	\$ 52,194	\$ 14,873	\$ 6,832	\$ 173,684	\$ 7,434	\$ 255,017

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

Montcalm County, Michigan

Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

For the year ended February 29, 2008

Total fund balances - total governmental funds	\$	222,534
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital assets at cost	2,917,138
Accumulated depreciation	(954,863)
Net capital assets	1,962,275

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Balances at February 29, 2008 were:

Bonds payable	(470,000)
Installment purchase contracts payable	(230,085)
Industrial Park Loan	(369,990)
Accrued absences	(4,591)

Internal service funds are used by management to charge the costs of equipment rental activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets

	14,147
Net assets of governmental activities	\$ 1,124,290

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

Montcalm County, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended February 29, 2008

	General Fund	Major Street Fund	Local Street Fund	Ensley/ Washburn Project Fund	Nonmajor Funds	Total
REVENUE						
Property taxes	\$ 222,909	\$ -	\$ -	\$ -	\$ 77,238	\$ 300,147
Federal grants	7,500	-	-	-	-	7,500
State grants	138,093	108,157	44,565	-	-	290,815
Metro act	-	-	7,018	-	-	7,018
Licenses and permits	980	-	-	-	-	980
Fines and forfeits	7,990	-	-	-	-	7,990
Charges for services	124,265	-	-	-	-	124,265
Interest and rentals	5,108	923	97	5,781	537	12,446
Other revenue	42,625	646	-	-	-	43,271
TOTAL REVENUE	549,470	109,726	51,680	5,781	77,775	794,432
EXPENDITURES						
General government	104,293	-	-	-	-	104,293
Public safety	358,783	-	-	-	-	358,783
Public works	74,350	81,043	77,347	-	25,829	258,569
Recreation and culture	19,899	-	-	-	-	19,899
Other	29,400	-	-	-	-	29,400
Debt service	-	-	-	-	24,926	24,926
TOTAL EXPENDITURES	586,725	81,043	77,347	-	50,755	795,870
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(37,255)	28,683	(25,667)	5,781	27,020	(1,438)
OTHER FINANCING SOURCES (USES)						
Transfers in	15,000	15,000	45,000	-	24,925	99,925
Transfers out	-	(35,904)	(4,021)	-	(45,000)	(84,925)
Debt service	(8,261)	(12,639)	(12,639)	-	-	(33,539)
Insurance recoveries	14,169	-	-	-	-	14,169
TOTAL OTHER FINANCING SOURCES (USES)	20,908	(33,543)	28,340	-	(20,075)	(4,370)
NET CHANGE IN FUND BALANCES	(16,347)	(4,860)	2,673	5,781	6,945	(5,808)
FUND BALANCES, BEGINNING OF YEAR	36,058	19,733	4,159	167,903	489	228,342
FUND BALANCES, END OF YEAR	\$ 19,711	\$ 14,873	\$ 6,832	\$ 173,684	\$ 7,434	\$ 222,534

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

Montcalm County, Michigan

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended February 29, 2008

Net change in fund balances - total governmental funds	\$	(5,808)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay added to capital assets.		63,036
An internal service fund is used by management to charge the cost of certain equipment to individual funds		(33,987)
Sale of capital assets		(12,943)
Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		76,599
Some expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Depreciation		(103,148)
Accrued absences		14,179
Change in net assets of government activities	\$	(2,072)

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

Montcalm County, Michigan

Proprietary Funds

Statement of Net Assets

February 29, 2008

	Sewer Fund	Water Fund	Total	Governmental activities - Internal Service Fund
ASSETS				
Current assets				
Cash	\$ 33,661	\$ 102,995	\$ 136,656	\$ 27,254
Accounts receivable	22,918	16,392	39,310	-
Total current assets	56,579	119,387	175,966	27,254
Noncurrent assets				
Restricted cash	62,387	13,567	75,954	-
Capital assets	1,560,031	502,431	2,062,462	124,979
Total Noncurrent assets	1,622,418	515,998	2,138,416	124,979
TOTAL ASSETS	\$ 1,678,997	\$ 635,385	\$ 2,314,382	\$ 152,233
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 7,710	\$ 507	\$ 8,217	\$ 4,438
Payroll deductions payable	-	-	-	4,791
Accrued interest payable	10,020	147	10,167	-
Customers deposits payable	58	6,115	6,173	-
Deferred revenue	914	-	914	-
Total current liabilities	18,702	6,769	25,471	9,229
Long-term debt				
Bonds payable	524,000	34,000	558,000	-
Notes payable	-	-	-	3,879
Total noncurrent liabilities	524,000	34,000	558,000	3,879
TOTAL LIABILITIES	542,702	40,769	583,471	13,108
NET ASSETS				
Invested in capital assets - net of related debt	1,036,031	468,421	1,504,452	121,100
Undesignated	100,264	126,195	226,459	18,025
TOTAL NET ASSETS	1,136,295	594,616	1,730,911	139,125
TOTAL LIABILITIES AND NET ASSETS	\$ 1,678,997	\$ 635,385	\$ 2,314,382	\$ 152,233

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

Montcalm County, Michigan

Proprietary Funds

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended February 29, 2008

	Sewer Fund	Water Fund	Total	Governmental activities - Internal Service Fund
<u>OPERATING REVENUE</u>				
Sales	\$ 201,710	\$ 186,923	\$ 388,633	\$ 107,431
<u>OPERATING EXPENSES</u>				
Personal services	76,623	64,382	141,005	38,434
Contractual services	57,859	27,463	85,322	27,235
Utilities	12,042	13,456	25,498	14,827
Repairs and maintenance	15,780	997	16,777	1,652
Rent	16,776	8,656	25,432	-
Other	3,708	1,254	4,962	1,733
Depreciation	73,741	17,220	90,961	36,648
TOTAL OPERATING EXPENSES	256,529	133,428	389,957	120,529
OPERATING INCOME (LOSS)	(54,819)	53,495	(1,324)	(13,098)
<u>NONOPERATING REVENUE (EXPENSES)</u>				
Interest and dividends	3,360	3,419	6,779	856
Interest expense	(23,231)	(2,849)	(26,080)	(523)
Other state grants	28,094	-	28,094	-
Other	1,837	-	1,837	3,778
Debt service	(11,562)	(11,562)	(23,124)	(10,000)
TOTAL NONOPERATING REVENUES (EXPENSE)	(1,502)	(10,992)	(12,494)	(5,889)
Income (loss) before contributions and transfers	(56,321)	42,503	(13,818)	(18,987)
Transfers out	-	-	-	(15,000)
CHANGE IN NET ASSETS	(56,321)	42,503	(13,818)	(33,987)
NET ASSETS, BEGINNING OF YEAR	1,192,616	552,113	1,744,729	173,112
NET ASSETS, END OF YEAR	\$ 1,136,295	\$ 594,616	\$ 1,730,911	\$ 139,125

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

Montcalm County, Michigan

Proprietary Funds

Statement of Cash Flows

For the year ended February 29, 2008

	Sewer Fund	Water Fund	Total	Governmental activities - Internal Service Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from customers	\$ 200,967	\$ 186,584	\$ 387,551	\$ 107,431
Payments to suppliers	(98,691)	(51,839)	(150,530)	(42,495)
Payments to employees	(76,623)	(64,382)	(141,005)	(37,444)
Customer deposits	-	(772)	(772)	-
Net cash provided (used) by operating activities	25,653	69,591	95,244	27,492
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Operating subsidies and transfers to other funds	28,094	-	28,094	(15,000)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Purchase of capital assets	(14,600)	(1,486)	(16,086)	-
Principal and interest paid on capital debt	(47,794)	(17,914)	(65,708)	(14,648)
Other receipts (payments)	(9,725)	(11,562)	(21,287)	(6,222)
Net cash provided (used) by capital and related financing activities	(72,119)	(30,962)	(103,081)	(20,870)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest and dividends	3,360	3,419	6,779	856
Net increase (decrease) in cash and cash equivalents	(15,012)	42,048	27,036	(7,522)
Balances - beginning of year	111,060	74,514	185,574	34,776
Balances - end of year	\$ 96,048	\$ 116,562	\$ 212,610	\$ 27,254
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>				
Operating income (loss)	\$ (54,819)	\$ 53,495	\$ (1,324)	\$ (13,098)
Provided (used) by operating activities				
Depreciation expense	73,741	17,220	90,961	36,648
Receivables - net	(1,296)	(339)	(1,635)	-
Accounts and other payables	7,474	(13)	7,461	3,942
Deferred revenue	553	-	553	-
Customer deposits	-	(772)	(772)	-
Net cash provided by operating activities	\$ 25,653	\$ 69,591	\$ 95,244	\$ 27,492

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

Montcalm County, Michigan

Fiduciary Funds

Statement of Net Assets

For the year ended February 29, 2008

Agency Fund Type		
<u>ASSETS</u>		
Cash	\$	94
<u>LIABILITIES AND FUND BALANCE</u>		
Payroll withholdings payable	\$	94

The Notes to the Financial Statements are an intergral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 29, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Village of Howard City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Village of Howard City.

A. Reporting Entity

The Village of Howard City was incorporated under the provisions of Act 8, P.A. 1895 as amended as a General Law Village. The Village operates under a President-Council form of government and provides the following services as authorized by its charter: public safety, public works, culture and recreation, public improvement, and general administration services.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 29, 2008

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Village of Howard City's property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in Village of Howard City as of the preceding December 31st.

The Village of Howard City's 2007 ad valorem tax is levied and collectible on July 1, 2007, and is recognized as revenue in the year ended February 29, 2008, when the proceeds of the levy are budgeted for the financing of operations.

The 2007 taxable valuation of Village of Howard City totaled \$23,814,595, after capture for the Downtown Development Authority, on which ad valorem taxes levied consisted of the following:

	Mills levied	Raising
Operating	9.1502 \$	217,908
Highway	3.2599	77,633

These amounts are recognized in the General Fund financial statements as tax revenue.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Fund and Local Streets Fund account for Act 51 money received from the State of Michigan for the maintenance and construction of streets in the Village.

The Ensley/Washburn Capital Project Fund accounts for bond proceeds and other revenue used to reconstruct parts of two streets.

The government reports the following major proprietary funds:

The Water Fund and the Sewer Fund account for the activities of the water distribution system and sewage collection system.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 29, 2008

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables--In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 29, 2008

Inventories and Prepaid Items--Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets--Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Roads	40 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave)--It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All unused vacation and sick pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements.

Long-Term Obligations--In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications--Comparative total data for the prior year have been presented only for individual governmental funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 29, 2008

NOTE 2- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Village normally follows these procedures in establishing the budgetary data reflected in the financial statements:

The Village Administration submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1.

The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted at the Village hall to obtain taxpayer comments.

The budget is legally adopted by ordinance before March 1.

All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the Village Council throughout the operating year.

The Village adopts budgets for the General Fund and the Special Revenue Funds.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the Village Council.

The legal level of control is at the activity level of the General Fund, and at the fund expenditure totals for the and Special Revenue funds.

The Village Manager is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Village Council.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 29, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes Village of Howard City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in all of State statutory authority as listed above.

The Village's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At the year end, the Village had \$386,006 of bank deposits (money market, checking and savings accounts) that were uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 29, 2008

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Balance March 1, 2007	Additions	Disposals	Balance February 29, 2008
Capital assets being depreciated:				
Buildings	\$ 120,000	\$	\$	\$ 120,000
Equipment	743,059	40,380	21,571	761,868
Internal service equipment equipment	506,922			506,922
Infrastructure	1,505,692	22,656		1,528,348
Subtotal	2,875,673	63,036	21,571	2,917,138
Accumulated depreciation:				
Buildings	33,000	3,000		36,000
Equipment	284,925	61,403	8,628	337,700
Internal service equipment equipment	345,296	36,647		381,943
Infrastructure	160,475	38,745		199,220
Subtotal	823,696	139,795	8,628	954,863
Net capital assets being depreciated	2,051,977	(76,759)	12,943	1,962,275
Net capital assets	\$ 2,051,977	\$ (76,759)	\$ 12,943	\$ 1,962,275

Business-Type Activities	Balance March 1, 2008	Additions	Disposals	Balance February 29, 2008
Assets not being depreciated	\$ 34,300	\$	\$	\$ 34,300
Capital assets being depreciated:				
Buildings and improvements	3,610,500	1,486		3,611,986
Machinery and equipment	14,442	14,600		29,042
Subtotal	3,624,942	16,086		3,641,028
Accumulated depreciation:				
Buildings and improvements	1,507,829	88,969		1,596,798
Machinery and equipment	14,076	1,992		16,068
Subtotal	1,521,905	90,961		1,612,866
Net capital assets being depreciated	2,103,037	(74,875)		2,028,162
Net capital assets	\$ 2,137,337	\$ (74,875)	\$	\$ 2,062,462

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 29, 2008

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$	4,133
Public safety		61,403
Public works		74,259
Total governmental activities	\$	139,795

Business-Type activities:

Sewer	\$	73,741
Water		17,220
Total Business-Type activities	\$	90,961

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Transfers

Transfers In	Transfers Out				Total
	Major Streets Fund	Local Streets Fund	Locally Raised Street Fund	Equipment Fund	
General Fund	\$ -	\$ -	\$ -	\$ 15,000	\$ 15,000
Major Street Fund	-	-	15,000	-	15,000
Local Streets Fund	15,000	-	30,000	-	45,000
Street Bond Fund	20,904	4,021	-	-	24,925
Total	\$ 35,904	\$ 4,021	\$ 45,000	\$ 15,000	\$ 99,925

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 29, 2008

NOTE 6 - LONG-TERM DEBT

Bond and contractual obligation activity can be summarized as follows:

	Balance March 1, 2007	Additions	Reductions	Balance February 29, 2008	Due within one year
Governmental activities					
General obligation bonds					
1997 Michigan Transportation Bonds	\$ 15,000	\$ -	\$ 15,000	\$ -	\$ -
2005 Michigan Transportation Bonds	485,000	-	15,000	470,000	20,000
Installment purchase agreements					
2006 Fire truck and dump truck	211,000	-	10,000	201,000	11,000
Fire truck purchase contract	42,560	-	13,475	29,085	14,175
Loans					
Renaissance Zone Loan through Michigan Strategic Fund	393,114	-	23,124	369,990	38,540
Compensated absences	18,770	-	14,179	4,591	-
Subtotal	1,165,444	-	90,778	1,074,666	83,715
Internal service fund					
Backhoe installment purchase contract	18,004	-	14,125	3,879	3,879
Total Governmental activities	1,183,448		104,903	1,078,545	87,594
Business type activities					
Revenue bonds					
1984 Sewer bonds	507,000	-	9,000	498,000	9,000
1997 Water and Sewer bonds	90,000	-	30,000	60,000	30,000
Total Business type activities	\$ 597,000	\$ -	\$ 39,000	\$ 558,000	\$ 39,000
Total Long-Term Debt	\$ 1,780,448	\$ -	\$ 143,903	\$ 1,636,545	\$ 126,594

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 29, 2008

Annual debt service requirements to maturity for the above obligation follows:

Year Ended February	Principal	Interest	Total
2009	\$ 126,594	\$ 53,672	\$ 180,266
2010	116,742	49,571	166,313
2011	72,832	46,249	119,081
2012	73,832	44,452	118,284
2013	74,832	42,609	117,441
2014	75,832	40,723	116,555
2015	81,832	38,793	120,625
2016	82,832	36,617	119,449
2017	84,832	34,375	119,207
2018	85,832	32,055	117,887
2019	86,832	29,691	116,523
2020	86,130	27,257	113,387
2021	64,000	24,558	88,558
2022	67,000	21,768	88,768
2023	48,000	19,328	67,328
2024	54,000	17,280	71,280
2025	55,000	14,986	69,986
2026	56,000	12,645	68,645
2027	22,000	10,260	32,260
2028	23,000	9,248	32,248
2029	25,000	8,167	33,167
2030	25,000	7,042	32,042
2031	27,000	5,873	32,873
2032	28,000	4,635	32,635
2033	30,000	3,330	33,330
2034	31,000	1,958	32,958
2035	28,000	630	28,630
Totals	\$ 1,631,954	\$ 637,772	\$ 2,269,726

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 29, 2008

NOTE 7 - SEGMENT INFORMATION

The Village operates two funds which provide sewage and water services. Summary financial information for the sewer department is presented below:

Condensed Statement of Net Assets

	Sewer Fund	Water Fund
Assets		
Current assets	\$ 56,579	\$ 119,387
Restricted assets	62,387	13,567
Capital assets	1,560,031	502,431
Total Assets	1,678,997	635,385
Liabilities		
Current liabilities	18,702	6,769
Noncurrent liabilities	524,000	34,000
Total Liabilities	542,702	40,769
Net Assets		
Invested in capital assets	1,036,031	468,421
Unrestricted	100,264	126,195
Total Net Assets	\$ 1,136,295	\$ 594,616

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 29, 2008

Condensed Statement of Revenue, Expenses, and Changes in Net Assets

	Sewer Fund	Water Fund
Charges	\$ 201,710	\$ 186,923
Depreciation	(73,741)	(17,220)
Other operating expenses	(182,788)	(116,208)
Operating income	(54,819)	53,495
Nonoperating revenue (expense)		
Investment earnings	3,360	3,419
Interest expense	(23,231)	(2,849)
Debt service	(11,562)	(11,562)
Other	29,931	-
Total nonoperating revenue and expenses	(1,502)	(10,992)
Changes in net assets	(56,321)	42,503
Beginning net assets	1,192,616	552,113
Ending net assets	\$ 1,136,295	\$ 594,616

Condensed Statement of Cash Flows

	Sewer Fund	Water Fund
Net cash provided by (used in)		
Operating activities	\$ 25,653	\$ 69,591
Noncapital financing activities	28,094	-
Capital and related financing activities	(72,119)	(30,962)
Investing activities	3,360	3,419
Net increase (decrease) in cash	(15,012)	42,048
Beginning cash and cash equivalents	111,060	74,514
Ending cash and cash equivalents	\$ 96,048	\$ 116,562

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 29, 2008

NOTE 8 - RESTRICTED ASSETS

The balances of the restricted asset accounts in the enterprise funds are as follows:

Revenue bond restrictions	\$	75,954
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NOTE 9 - RISK MANAGEMENT

Village of Howard City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village of Howard City obtains commercial insurance coverage through the Michigan Municipal League for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

The Village has no post-retirement benefit plans at this time other than its pension plan.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 29, 2008

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan

Plan Description--Village of Howard City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of Village of Howard City. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy--The obligation to contribute to and maintain the system for these employees requires a contribution of 2.5 percent from all employees.

Annual Pension Costs --For year ended 2006, the Village of Howard City's annual pension cost of \$32,520 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry age normal method. Significant actuarial assumptions used include: (i) an 8.00 percent investment rate of return; (ii) projected salary increases of 4.50 percent per year; and (iii) 0.00 percent per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information follows:

	2006	2005	2004
Annual pension cost	\$ 29,608	\$ 28,120	\$ 32,993
Percentage of APC Contributed	100 %	100 %	100 %
Actuarial value of assets	\$ 579,848	\$ 757,936	\$ 738,285
Actuarial accrued liability	\$ 719,724	\$ 902,773	\$ 855,771
Unfunded AAL	\$ 139,876	\$ 144,837	\$ 117,486
Funded ratio	80.57 %	83.96 %	86.27 %
Covered payroll	\$ 154,526	\$ 303,821	\$ 245,794
UAAL as a percentage of covered payroll	90.52 %	47.67 %	47.80 %

Defined Contribution Pension Plan

Village of Howard City provides pension benefits to some of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by the pension agreement, the Village of Howard City contributes 10% percent of employees' gross earnings and employee contributions for each employee plus interest allocated to the employee's account are fully vested after 10 years of service.

Village of Howard City's total payroll during the current year was \$414,468. The current year contribution was calculated based on covered payroll of \$198,870, resulting in an employer contribution of \$19,887.

Required Supplemental Information

Village Of Howard City

Montcalm County, Michigan

General Fund

Balance Sheet

February 29, 2008

	2008	2007
ASSETS		
Cash	\$ 52,194	\$ 55,500
TOTAL ASSETS	\$ 52,194	\$ 55,500
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	\$ 3,968	\$ 5,880
Due to other units of government	-	3,968
Payroll deductions payable	530	690
Accrued wages payable	27,985	8,904
TOTAL LIABILITIES	32,483	19,442
FUND BALANCES		
Undesignated fund balance	19,711	36,058
TOTAL LIABILITIES AND FUND BALANCES	\$ 52,194	\$ 55,500

Village Of Howard City

Montcalm County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended February 29, 2008

	Original budget	Final budget	Actual	Variance with final budget	2007
REVENUES					
Property Taxes					
Current real property taxes	\$ 215,164	\$ 219,343	\$ 219,346	\$ 3	\$ 207,538
Penalties and interest on taxes	30	125	125	-	58
Property tax administration fee	2,500	3,438	3,438	-	3,202
Total Property Taxes	217,694	222,906	222,909	3	210,798
Federal grants	-	7,500	7,500	-	-
State Grants					
State revenue sharing	135,000	131,000	135,673	4,673	135,937
Other state grants	2,500	2,420	2,420	-	2,565
Total State Grants	137,500	133,420	138,093	4,673	138,502
Licenses and Permits					
Non-business licenses and permits	2,500	980	980	-	2,780
Fines and forfeitures	2,000	8,000	7,990	(10)	2,908
Charges for Services					
Services rendered	122,000	116,032	118,314	2,282	120,404
Sales	5,500	19,845	5,951	(13,894)	15,320
Total Charges for Services	127,500	135,877	124,265	(11,612)	135,724
Interest and Rentals					
Interest and dividends	2,000	1,200	2,508	1,308	3,189
Rent	2,400	2,400	2,600	200	3,400
Total Interest and Rentals	4,400	3,600	5,108	1,508	6,589
Other Revenue					
Sale of fixed assets	6,000	1,200	1,319	119	3,417
Contributions and donations	4,000	21,350	21,350	-	13,925
Reimbursements	1,400	1,402	1,402	-	1,434
Intergovernmental	10,000	10,000	10,000	-	-
Other	8,500	8,689	8,554	(135)	8,530
Total Other Revenue	29,900	42,641	42,625	(16)	27,306
TOTAL REVENUES	521,494	554,924	549,470	(5,454)	524,607

Village Of Howard City

Montcalm County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended February 29, 2008

	Original budget	Final budget	Actual	Variance with final budget	2007
EXPENDITURES					
General government					
Village Council	\$ 14,241	\$ 13,100	\$ 10,490	\$ 2,610	\$ 8,549
Manager	67,688	54,134	69,466	(15,332)	55,086
Audit	2,500	2,700	2,700	-	2,500
Elections	-	480	480	-	-
Buildings and grounds	17,000	16,500	16,826	(326)	18,155
Attorney	16,000	5,000	4,331	669	15,578
Total General government	117,429	91,914	104,293	(12,379)	99,868
Public safety					
Police	235,075	255,501	276,757	(21,256)	205,921
Fire department	112,757	99,273	82,026	17,247	90,701
Total Public safety	347,832	354,774	358,783	(4,009)	296,622
Department of public works					
Public works	35,852	75,730	73,363	2,367	58,827
Sanitation	2,000	895	987	(92)	1,835
Total Department of public works	37,852	76,625	74,350	2,275	60,662
Recreation and culture					
Parks and recreation	23,531	25,618	19,899	5,719	15,882
Other governmental functions					
Insurance	37,000	29,400	29,400	-	36,760
TOTAL EXPENDITURES	563,644	578,331	586,725	(8,394)	509,794
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(42,150)	(23,407)	(37,255)	(13,848)	14,813
OTHER FINANCING SOURCES (USES)					
Transfers in	15,000	20,000	15,000	(5,000)	-
Insurance recoveries	-	-	14,169	14,169	-
Transfers out	-	-	-	-	(5,339)
Interest	-	(10,000)	(8,261)	1,739	-
TOTAL OTHER FINANCING SOURCES (USES)	15,000	10,000	20,908	10,908	(5,339)
NET CHANGE IN FUND BALANCES	(27,150)	(13,407)	(16,347)	(2,940)	9,474
Fund balance at beginning of year	36,058	36,058	36,058	-	26,584
Fund balance at end of year	\$ 8,908	\$ 22,651	\$ 19,711	\$ (2,940)	\$ 36,058

Village of Howard City

Montcalm County, Michigan

Major Street Special Revenue Fund

Balance Sheet

February 29, 2008

	2008	2007
<u>ASSETS</u>		
Cash	\$ 14,873	\$ 19,799
TOTAL ASSETS	\$ 14,873	\$ 19,799
<u>LIABILITIES AND FUND BALANCES</u>		
LIABILITIES		
Accounts payable	\$ -	\$ 66
FUND BALANCES		
Reserved for streets	14,873	19,733
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,873	\$ 19,799

Village of Howard City

Montcalm County, Michigan

Major Street Special Revenue Fund

Budgetary Comparison Schedule

For the year ended February 29, 2008

	Original budget	Final budget	Actual	Variance with final budget	Prior year
REVENUE					
Michigan transportation fund	\$ 113,000	\$ 113,000	\$ 108,157	\$ 4,843	\$ 109,826
Interest and dividends	200	600	923	(323)	446
Other	-	646	646	-	340
TOTAL REVENUE	113,200	114,246	109,726	4,520	110,612
EXPENDITURES					
Street construction	5,000	-	-	-	5,000
Street preservation	66,176	36,237	46,044	(9,807)	60,484
Traffic services	600	600	324	276	352
Winter maintenance	17,383	29,765	29,951	(186)	19,193
Administration and engineering	5,219	5,470	4,724	746	5,343
TOTAL EXPENDITURES	94,378	72,072	81,043	(8,971)	90,372
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	18,822	42,174	28,683	13,491	20,240
OTHER FINANCING SOURCES (USES)					
Transfers in	15,000	10,000	15,000	(5,000)	16,000
Transfers out	(10,000)	(15,000)	(35,904)	(20,904)	(14,250)
Debt service	(28,501)	(38,735)	(12,639)	26,096	(17,420)
TOTAL OTHER FINANCING SOURCES (USES)	(23,501)	(43,735)	(33,543)	192	(15,670)
NET CHANGE IN FUND BALANCES	(4,679)	(1,561)	(4,860)	13,683	4,570
Fund balance	19,733	19,733	19,733	-	15,163
Fund balance at end of year	\$ 15,054	\$ 18,172	\$ 14,873	\$ 13,683	\$ 19,733

Village of Howard City

Montcalm County, Michigan

Local Street Special Revenue Fund

Balance Sheet

February 29, 2008

	2008	2007
<u>ASSETS</u>		
Cash	\$ 6,832	\$ 4,159
<u>LIABILITIES AND FUND BALANCES</u>		
FUND BALANCES		
Reserved for streets	\$ 6,832	\$ 4,159

Village of Howard City

Montcalm County, Michigan

Local Street Special Revenue Fund

Budgetary Comparison Schedule

For the year ended February 29, 2008

	Original budget	Final budget	Actual	Variance with final budget	Prior year
REVENUE					
Michigan transportation fund	\$ 45,000	\$ 43,000	\$ 44,565	\$ (1,565)	\$ 44,878
Metro Act	7,000	7,018	7,018	-	7,052
Interest and dividends	-	60	97	(37)	62
TOTAL REVENUE	52,000	50,078	51,680	(1,602)	51,992
EXPENDITURES					
Street construction	2,000	-	-	-	1,137
Street preservation	46,553	34,076	41,091	(7,015)	56,261
Traffic services	500	1,297	1,297	-	487
Winter maintenance	13,383	27,689	30,605	(2,916)	18,298
Administration and engineering	5,219	5,470	4,354	1,116	4,991
TOTAL EXPENDITURES	67,655	68,532	77,347	(8,815)	81,174
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(15,655)	(18,454)	(25,667)	7,213	(29,182)
OTHER FINANCING SOURCES (USES)					
Transfers in	35,000	45,000	45,000	-	53,000
Transfers out	-	-	(4,021)	(4,021)	(2,250)
Debt service	(22,747)	(23,215)	(12,639)	10,576	(17,420)
TOTAL OTHER FINANCING SOURCES (USES)	12,253	21,785	28,340	6,555	33,330
NET CHANGE IN FUND BALANCES	(3,402)	3,331	2,673	13,768	4,148
Fund balance at beginning of year	4,159	4,159	4,159	-	11
Fund balance at end of year	\$ 757	\$ 7,490	\$ 6,832	\$ 13,768	\$ 4,159

Village of Howard City

Montcalm County, Michigan

Ensley/Washburn Project Fund

Balance Sheet

February 29, 2008

	2008	2007
<u>ASSETS</u>		
Cash	\$ 173,684	\$ 167,903
<u>LIABILITIES AND FUND BALANCES</u>		
FUND BALANCE		
Reserved for construction	\$ 173,684	\$ 167,903

Village of Howard City

Montcalm County, Michigan

Ensley/Washburn Project Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended February 29, 2008

	2008	2007
<u>REVENUE</u>		
Interest and dividends	\$ 5,781	\$ 5,544
<u>EXPENDITURES</u>		
Capital outlay	-	4,782
NET CHANGE IN FUND BALANCES	5,781	762
Fund balance beginning of year	167,903	167,141
Fund balance end of year	\$ 173,684	\$ 167,903

Other Supplemental Information

Village of Howard City

Montcalm County, Michigan

Nonmajor Funds

Combining Balance Sheet

February 29, 2008

	Special Revenue Fund		Debt Service Fund		
	Locally Raised Streets Fund		Street Bond Fund		Total
<u>ASSETS</u>					
Cash	\$	6,926	\$	508	\$ 7,434
<u>LIABILITIES AND FUND BALANCES</u>					
FUND BALANCES					
Reserved for					
Streets		6,926	-		6,926
Debt service		-	508		508
TOTAL FUND BALANCES		6,926		508	7,434
TOTAL LIABILITIES AND FUND BALANCES					
	\$	6,926	\$	508	\$ 7,434

Village of Howard City

Montcalm County, Michigan

Nonmajor Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended February 29, 2008

	Special Revenue Fund	Debt Service Fund	
	Locally Raised Streets Fund	Street Bond Fund	Total
REVENUE			
Property taxes	\$ 77,238	\$ -	\$ 77,238
Interest and dividends	499	38	537
TOTAL REVENUE	77,737	38	77,775
EXPENDITURES			
Public Works	25,829	-	25,829
Debt service	-	24,926	24,926
TOTAL EXPENDITURES	25,829	24,926	50,755
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	51,908	(24,888)	27,020
OTHER FINANCING SOURCES (USES)			
Transfers in	-	24,925	24,925
Transfers out	(45,000)	-	(45,000)
TOTAL OTHER FINANCING SOURCES (USES)	(45,000)	24,925	(20,075)
NET CHANGE IN FUND BALANCES	6,908	37	6,945
FUND BALANCES, BEGINNING OF YEAR	18	471	489
FUND BALANCES, END OF YEAR	\$ 6,926	\$ 508	\$ 7,434

Village of Howard City

Montcalm County, Michigan

Locally Raised Street Fund

Balance Sheet

February 29, 2008

	2008	2007
<u>ASSETS</u>		
Cash	\$ 6,926	\$ 18
<u>LIABILITIES AND FUND BALANCES</u>		
FUND BALANCES		
Reserved for streets	\$ 6,926	\$ 18

Village of Howard City

Montcalm County, Michigan

Locally Raised Street Fund

Budgetary Comparison Schedule

For the year ended February 29, 2008

	Original budget	Final budget	Actual	Variance with final budget	2007
<u>REVENUE</u>					
Taxes	\$ 75,543	\$ 77,238	\$ 77,238	\$ -	\$ 73,207
Interest and dividends	100	550	499	(51)	146
TOTAL REVENUE	75,643	77,788	77,737	(51)	73,353
<u>EXPENDITURES</u>					
Street construction	500	913	913	-	875
Street preservation	-	6,215	6,215	-	43
Street lighting	17,500	15,976	17,901	(1,925)	16,990
Capital outlay	14,000	800	800	-	12,022
Principal payments	-	-	-	-	7,708
TOTAL EXPENDITURES	32,000	23,904	25,829	(1,925)	37,638
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	43,643	53,884	51,908	(1,976)	35,715
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	-	-	5,339
Transfers out	(40,000)	(40,000)	(45,000)	(5,000)	(38,000)
TOTAL OTHER FINANCING SOURCES (USES)	(40,000)	(40,000)	(45,000)	(5,000)	(32,661)
NET CHANGE IN FUND BALANCES	3,643	13,884	6,908	(6,976)	3,054
Fund balance beginning of year	18	18	18	-	(3,036)
Fund balance end of year	\$ 3,661	\$ 13,902	\$ 6,926	\$ (6,976)	\$ 18

Village of Howard City

Montcalm County, Michigan

Street Bond Debt Service Fund

Balance Sheet

February 29, 2008

	2008	2007
<u>ASSETS</u>		
Cash	\$ 508	\$ 471
<u>LIABILITIES AND FUND BALANCES</u>		
FUND BALANCES		
Fund balance	\$ 508	\$ 471

Village of Howard City

Montcalm County, Michigan

Street Bond Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended February 29, 2008

	2008	2007
<u>REVENUE</u>		
Interest and dividends	\$ 38	\$ 67
<u>EXPENDITURES</u>		
Principal	15,000	14,000
Interest	9,926	1,437
<u>TOTAL EXPENDITURES</u>	24,926	15,437
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>	(24,888)	(15,370)
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers in	24,925	6,500
NET CHANGE IN FUND BALANCES	37	(8,870)
<u>Fund balance beginning of year</u>	471	9,341
<u>Fund balance end of year</u>	\$ 508	\$ 471

Long-term Debt Schedules

Village of Howard City

Village of Howard City

Schedule of Bonded Debt

\$211,000 2006 Act 99 Installment Purchase Agreement

February 29, 2008

Year ended	Interest Rate	May 1 Principal	May 1 Interest	November 1 Interest	Total
2009	4.375%	\$ 11,000	\$ 4,397	\$ 4,156	\$ 19,553
2010	4.375%	11,000	4,156	3,916	19,072
2011	4.375%	12,000	3,916	3,653	19,569
2012	4.375%	12,000	3,653	3,391	19,044
2013	4.375%	13,000	3,391	3,106	19,497
2014	4.375%	13,000	3,106	2,822	18,928
2015	4.375%	14,000	2,822	2,516	19,338
2016	4.375%	14,000	2,516	2,209	18,725
2017	4.375%	15,000	2,209	1,881	19,090
2018	4.375%	16,000	1,881	1,531	19,412
2019	4.375%	16,000	1,531	1,181	18,712
2020	4.375%	17,000	1,181	809	18,990
2021	4.375%	18,000	809	416	19,225
2022	4.375%	19,000	416	-	19,416
Totals		\$ 201,000	\$ 35,984	\$ 31,587	\$ 268,571

Village of Howard City

Village of Howard City

Schedule of Bonded Debt

\$585,000 Sewer System Revenue Bonds, Series 1994

February 29, 2008

Year ended February 28,	Interest Rate	April 1 Principal	April 1 Interest	October 1 Interest	Total
2009	4.500%	\$ 9,000	\$ 11,205	\$ 11,003	\$ 31,208
2010	4.500%	10,000	11,003	10,777	31,780
2011	4.500%	10,000	10,777	10,553	31,330
2012	4.500%	11,000	10,553	10,305	31,858
2013	4.500%	11,000	10,305	10,057	31,362
2014	4.500%	12,000	10,057	9,788	31,845
2015	4.500%	12,000	9,788	9,517	31,305
2016	4.500%	13,000	9,517	9,225	31,742
2017	4.500%	14,000	9,225	8,910	32,135
2018	4.500%	14,000	8,910	8,595	31,505
2019	4.500%	15,000	8,595	8,258	31,853
2020	4.500%	16,000	8,258	7,897	32,155
2021	4.500%	16,000	7,897	7,538	31,435
2022	4.500%	18,000	7,538	7,132	32,670
2023	4.500%	18,000	7,132	6,728	31,860
2024	4.500%	19,000	6,728	6,300	32,028
2025	4.500%	20,000	6,300	5,850	32,150
2026	4.500%	21,000	5,850	5,377	32,227
2027	4.500%	22,000	5,377	4,883	32,260
2028	4.500%	23,000	4,883	4,365	32,248
2029	4.500%	25,000	4,365	3,802	33,167
2030	4.500%	25,000	3,802	3,240	32,042
2031	4.500%	27,000	3,240	2,633	32,873
2032	4.500%	28,000	2,633	2,002	32,635
2033	4.500%	30,000	2,002	1,328	33,330
2034	4.500%	31,000	1,328	630	32,958
2035	4.500%	28,000	630	-	28,630
Totals	\$	\$ 498,000	\$ 187,898	\$ 176,693	\$ 862,591

Village of Howard City

Village of Howard City

Schedule of Debt

\$439,362 Renaissance Zone Loan

February 29, 2008

Year ended February 28,	Interest Rate	Principal	Interest	Total
2009	0.000%	\$ 38,540	\$ -	\$ 38,540
2010	0.000%	30,832	-	30,832
2011	0.000%	30,832	-	30,832
2012	0.000%	30,832	-	30,832
2013	0.000%	30,832	-	30,832
2014	0.000%	30,832	-	30,832
2015	0.000%	30,832	-	30,832
2016	0.000%	30,832	-	30,832
2017	0.000%	30,832	-	30,832
2018	0.000%	30,832	-	30,832
2019	0.000%	30,832	-	30,832
2020	0.000%	23,130	-	23,130
Totals		\$ 369,990	\$ -	\$ 369,990

Village of Howard City

Village of Howard City

Schedule of Bonded Debt

\$190,000 Water and Sewer System Revenue Bonds, Series 1997

February 29, 2008

Year ended February 28,	Interest Rate	August 1 Principal	August 1 Interest	February 1 Interest	Total
2009	5.250%	\$ 30,000	\$ 1,583	\$ 795	\$ 32,378
2010	5.300%	30,000	795	-	30,795
Totals		\$ 60,000	\$ 2,378	\$ 795	\$ 63,173

Village of Howard City

Village of Howard City

Schedule of Debt

\$120,000 Fire Truck Installment Purchase Agreement

February 29, 2008

Year ended	Interest					
February 28,	Rate	Principal	Interest		Total	
2009	5.190%	\$ 14,175	\$ 1,509	\$	15,684	
2010	5.190%	14,910	774		15,684	
Totals		\$ 29,085	\$ 2,283	\$	31,368	

Village of Howard City

Village of Howard City

Schedule of Debt

\$67,100 Backhoe Installment Purchase Agreement

February 29, 2008

Year ended	Interest				
February 28,	Rate	Principal	Interest		Total
2009	3.500%	\$ 3,879	\$ 74	\$	3,953
Totals		\$ 3,879	\$ 74	\$	3,953

Village of Howard City

Village of Howard City

Schedule of Debt

\$500,000 2005 Michigan Transportation Fund Bonds

February 29, 2008

Year ended February 28,	Interest Rate	Principal	April 1 Interest	October 1 Interest	Total
2009	4.000%	\$ 20,000	\$ 9,475	\$ 9,475	\$ 38,950
2010	4.000%	20,000	9,075	9,075	38,150
2011	4.000%	20,000	8,675	8,675	37,350
2012	4.000%	20,000	8,275	8,275	36,550
2013	4.000%	20,000	7,875	7,875	35,750
2014	4.000%	20,000	7,475	7,475	34,950
2015	4.000%	25,000	7,075	7,075	39,150
2016	4.000%	25,000	6,575	6,575	38,150
2017	4.050%	25,000	6,075	6,075	37,150
2018	4.050%	25,000	5,569	5,569	36,138
2019	4.050%	25,000	5,063	5,063	35,126
2020	4.050%	30,000	4,556	4,556	39,112
2021	4.050%	30,000	3,949	3,949	37,898
2022	4.050%	30,000	3,341	3,341	36,682
2023	4.050%	30,000	2,734	2,734	35,468
2024	4.050%	35,000	2,126	2,126	39,252
2025	4.050%	35,000	1,418	1,418	37,836
2026	4.050%	35,000	709	709	36,418
Totals		\$ 470,000	\$ 100,040	\$ 100,040	\$ 670,080

AUDITORS' REPORTS

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Village Council
Village of Howard City
Montcalm County, Michigan

We have audited the financial statements of the Statement of Activities of the Village of Howard City for the year ended February 29, 2008, and have issued our report thereon dated July 16, 2008. Professional standards require that we provide you with the following Information related to our audit

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 28, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 28, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Howard City are described in Note Statement of Net Assets to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is:

The lives of the Village's capital assets are estimated from three to sixty years.

Management's estimate of the lives of capital assets is based on management's experience and estimates. We evaluated the key factors and assumptions used to develop the lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of risk management in Note 9 to the financial statements. The Village is exposed to various risks related to property loss, torts, errors and omissions and employee injuries. The Village is covered by insurance through the Michigan Municipal League..

To the Village Council
Village of Howard City
Montcalm County, Michigan

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Audit Adjustments (Corrected and Uncorrected Misstatements)

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 16, 2008.

Management Consultations With Other Independent Accountants

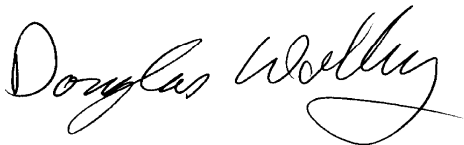
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Village Council and management of the Village of Howard City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Douglas Welby". The signature is fluid and cursive, with a large loop at the end.

Grand Rapids, Michigan
July 16, 2008